EDA Update

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Strengthening American Businesses' Capacity to Succeed In Global Markets

American businesses have been leading players in the global marketplace for decades, but with the advent of globalization and rapid technological change, global exports are more important than ever. Today, exports account for roughly 13 percent of U.S. Gross Domestic Product (GDP), providing income and jobs to millions of Americans. In the past, many American companies could succeed by selling exclusively to one large domestic market; however, to be successful today, businesses of all sizes need to be able to succeed at home as well as in overseas markets.

Entering and prospering in new markets is always a challenge. Language, business practices and consumer preferences can be radically different than American norms. Small and medium-sized firms often lack the resources to hire on-the-ground staff with relevant expertise or to bring in outside consulting support. These barriers often keep many American firms from entering export markets. At present, less than one percent of America's businesses export, and a majority of these companies sell in only one other country.

As part of their efforts to recover from the economic downturn, American firms are rightly seeking out overseas business opportunities. Fast-growing emerging markets can and should be a critical target for future business growth. That's why U.S. Trade Representative Ron Kirk has asked the U.S. International Trade Commission to commence a series of studies that examine barriers facing small and medium-sized exporters. The reports will include recommendations for how federal government agencies can make the export process easier for smaller firms.

At the U.S. Department of Commerce (DOC), Secretary Gary Locke has announced several new initiatives to help U.S. companies succeed in the 21st century marketplace. For example, a new Office of Innovation and Entrepreneurship will be created which will report directly to the Secretary, and will be geared toward the first step in the business cycle — moving an idea from someone's imagination, or from a research lab, into a business plan.

In October, Secretary Locke opened the Commerce Department's first CommerceConnect office in Plymouth, Mich. This office is the first regional one-stop shop where companies can access all DOC programs, such as export

WE WANT TO HEAR FROM YOU

EDA is continually looking for economic development success stories and best practices that can be shared with economic development professionals across the nation. If you have a success story – either EDA funded or not – that you'd like to share, please email the subject and a brief description to lpangretic@eda.doc.gov for possible publication in a future issue of *EDA Update*.

Long-Term Disaster Recovery Working Group

HUD and the Department of Homeland Security have launched the Disaster Recovery Working Group [Web site] to collect ideas and comments for the Administration's Long-Term Disaster Recovery Working Group. Comments are due in mid-December.

New EDA Research Projects

Economic Development Project Evaluation Tool [Web site]
This tool, created by the W.E. Upjohn Institute for Employment Research, provides qualitative and quantitative analysis of a project to help economic development practitioners determine its likelihood of success in a given region.

Crossing the Next Regional Frontier
[Web site]

promotion or manufacturing support, in one place.

Also at the DOC, the Bureau of Industry and Security is undertaking a review of current export control rules to assess if they can be updated to streamline the dual-use export process. DOC is also seeking to make it easier for businesses to access needed support.

The U.S. Economic Development Administration (EDA) has also been a key partner in this work. In fact, EDA has dedicated $11 million in American Recovery and Reinvestment Act (ARRA) grant funds to connect regional economies to the global marketplace. Many of EDA's investments are being used to support critical infrastructure investments. For example, EDA has recently supported a $3 million investment to the Matanuska-Susitna Borough of Palmer, Alaska, which will fund dock construction to expand the cargo capacity of Port Mackenzie. The improvements will allow more efficient delivery of goods, increase trade jobs and open trading opportunities for local industry. The project is expected to create 1,000 jobs and leverage $30 million in private investment, according to grantee estimates.

While other parts of the DOC are providing technical assistance to potential exporters, EDA investments will help ensure that these firms can get their goods to overseas markets. These investments are based on the recognition that global market success requires multiple ingredients. Firms must be knowledgeable about doing business overseas, be able to access support services that help them tailor their products and services for new markets, and be able to rely on efficient, world-class logistics infrastructure in order to successfully tap into these new markets.

Through investments like these, EDA is a critical part of the recipe of success for new global export opportunities.

Improving Competitiveness: Trade Adjustment Assistance

While the inter-connected global marketplace of the 21st century offers opportunities for American businesses to expand, it also presents competitive challenges to many companies that need to become more nimble, develop more competitive products and services, and explore new market segments. In addition to the services that the Department of Commerce offers to help American companies tap into the worldwide marketplace, the Department also offers EDA's Trade Adjustment Assistance for Firms (TAAF) Program to help strengthen the competitiveness of businesses that have been injured by increased imports. The TAAF program is a cost-sharing federal assistance program that pays 50 percent of the costs associated with consultants or industry-specific experts that work to improve the competitiveness of manufacturing and service firms. Service firms include training, process reengineering, development of sales and marketing materials or other services that increase an organization's competitive position.

As part of the American Recovery and Reinvestment Act of 2009, the TAAF program was reauthorized and expanded. The Act expanded TAAF eligibility to include service industry firms, made changes to eligibility criteria, and enhanced flexibility in collecting data to demonstrate import impaction.

There are several benefits for leveraging TAAF funds, including:

- **50/50 cost sharing:** TAAF offers 50/50 cost sharing of projects. These matching funds are applied toward the cost of consultants, engineers, designers or industry experts for improvement projects in areas such as manufacturing, engineering, marketing, information and quality. TAAF pays for half of

This tool helps a region guide strategic conversations about where to invest scarce resources to build prosperity (for the next generation). More specifically, this will enable regional leaders to focus on two sets of core assets that create prosperity: brainpower and innovation.

COMING SOON!

January 31—February 2, 2010
IEDC 2010 Leadership Summit, The Woodlands, TX [Web site]

February 21—23, 2010
NARC's 2010 Nation Conference of Regions, Washington, DC [Web site]

March 1—4, 2010
NADO's 2010 Washington Policy Conference, Washington, DC [Web site]

April 10—13, 2010
APA's National Conference, New Orleans, LA [Web site]

the cost of these services, up to $150,000 in projects with a maximum TAAF share of $75,000.

- **Minimize investment and maximize results:** Participating companies pay only 50 percent of a project, but enjoy 100 percent of the results. With TAAF, firms can expedite important improvement strategies that would otherwise be delayed due to financial constraints.
- **Leverage resources:** TAAF can be used for certain improvement projects, freeing company resources for other expenses not covered by this federal program, such as equipment purchases.

Additionally, trade associations, banks, economic development groups, consulting firms or any other organization can refer firms to this federal program.

Accessing financial assistance offered through TAAF begins by contacting one of 11 regional Trade Adjustment Assistance Centers (TAACs). TAAC staff assess eligibility and prepare an application on the firm's behalf. There are many different ways a firm can be eligible for TAAF assistance. With 11 TAACs around the country, TAA serves all types of businesses in every state across the country.

From pet food manufacturers to board game manufacturers and the service firms that support them, the 11 TAAC s have hundreds of success stories. Below is a sample of some of the tremendous returns on investment that businesses have seen through their TAAF programs.

- **Mack & Mack** (Greensboro, N.C.), a specialty woman's clothing boutique, utilized TAAF funds to train two employees on specialized pattern-making equipment that has streamlined the production process. Mack & Mack was also able to enhance their Web site to include e-commerce capabilities which has resulted in increased sales.
- **Packerware Corporation (PC)** (Lawrence, Kan.) manufactures injection molded containers, drink cups, housewares, closures and aerosol over caps. PC began with an assessment that identified training as a key weakness and prioritization area. Utilizing TAAF funds, PC completed four training projects in 2005 and 2006, which cost $44,255 and resulted in over $500,000 in savings. These savings were achieved through increased machine efficiencies and technical training.
- **Enterprise Tool & Die** (Grandville, Mich.) used the TAAF program to implement a comprehensive project management system. Designing and manufacturing large stamping dies is a complicated business — a single order often takes several months to produce and costs hundreds of thousands of dollars — so effectively managing the production process is essential. The TAAF project enabled this company to eliminate bottlenecks and cut costs by 20 percent.
- **Video Transport Equipment** (Calif.) specializes in the design and manufacturing of high technology video transport equipment for the professional video transport market. The company suffered reduced annual sales and operating losses due to changing market conditions. Through the TAAF Program, the organization has launched three new design engineering projects with specific customer applications, and one project focused on operating procedures to better manage the component supply chain, and support the incorporation of new technologies. Since beginning its public/private sector partnership with the TAAF program, sales increased 363 percent to $17.9 million, employment increased 67 percent to 50 employees and productivity increased 178 percent to $358,965 sales per employee.
- **Truitt Brothers** (Salem, Ore.), a food processing plant, is utilizing TAAF funds to support research and develop a strategy in line with the market needs. As such, Truitt is working toward developing a new product line which will effectively differentiate the company and better position it to compete with commodity imports.
- **Grain Place Foods (GPF)** (Marquette, Neb.), is an organic grain producer for both pet foods and human consumption. The "pet food crisis" began in 2007 after nearly 8,000 cats and dogs died after eating tainted pet food manufactured in China. Responding to this crisis, GPF used TAAF funds to redesign its Web site and launch a marketing and advertising campaign directed at educating pet food buyers about the safety of organic grains. TAAF funds were also used to significantly expand GPF pet product distribution. Sales have nearly tripled and employment has increased over 40 percent.
- **Rolco** (Kasota, Minn.) applied for TAAF after experiencing decreasing sales for its proprietary board game products. While working on a marketing project through TAAF, Rolco became increasingly aware of how its expertise in multishot technology was a unique capability that it was offering to customers. This became a key piece of the overall marketing strategy, sales process and corporate culture. Rolco's new Web

site extends its abilities to meet the needs of customers by offering products on both a retail and wholesale basis. Sales for 2008 were up by 20 percent.

For more information, contact Bryan Borlik, Director of the Department of Commerce's TAAF Program, at 202-482-3901 or bborlik@eda.doc.gov, or visit www.taacenters.org.

Foreign Investment in Wind Power

Foreign direct investment (FDI) plays a major role in the U.S. economy as an important source of innovation, exports and jobs.

The Department of Commerce is working to strengthen FDI in the U.S. through the International Trade Administration's investment promotion program, *Invest in America*. In addition to complementing individual states' efforts to promote investment, *Invest in America* focuses on outreach to foreign investors and governments to promote the United States as the best market for investment in the world. *Invest in America* facilitates investment inquiries, provides investor education, acts as Ombudsman in Washington, DC, for the international investment community, advises on specific policy issues raised by international investors, and connects investors with U.S. states.

"U.S. firms employ more than five million U.S. workers, or 4.6 percent of private industry employment," says Aaron S. Brickman, Director, Invest in America. "FDI plays an important role in the U.S. economy in addition to jobs, accounting for over 10 percent of U.S. private sector capital investment, nearly 15 percent of annual R&D expenditures, and nearly 20 percent of our exports."

As communities across the country look to establish local strengths in green energy areas such as wind industry manufacturing, many are looking overseas for new partnership opportunities. In terms of wind energy installations, the U.S. is the world's leader and General Electric Energy is the world's largest turbine manufacturer. Many American businesses are aggressively targeting this emerging market. But, with the exception of GE Energy, European firms have an important head start in the marketplace. Because of extensive public support and government subsidies, Chinese and European companies, such as Denmark's VESTAS, Germany's Siemens, and Spain's Gamesa, are among the world's leading wind energy firms.

Because of the high costs related to transporting equipment, most wind energy equipment manufacturing occurs relatively close to wind energy sites. As such, communities across the U.S., especially in the Midwest, are benefitting from the boom in wind power in the form of new manufacturing facilities, new businesses and new jobs. According to the American Wind Energy Association, the industry employed 85,000 workers across the country in 2008. Manufacturing is a growing part of this sector accounting for roughly 20,000 jobs in 2008. Between 2005 and 2008, the share of domestic manufacturing wind turbine components grew from 30 percent to 50 percent. Trends are expected to continue to increase over the long-term as more than 70 new or expanded manufacturing facilities have been set up in the last two years, with 55 new announcements in 2008 alone. According to a recent *Site Selection Magazine* article, corporate executives view the U.S. as the top investment location for future sustainable energy projects.

The recent growth in wind energy manufacturing has been crucial for communities with large shuttered manufacturing facilities. Wind energy manufacturers need locations with large facilities and a skilled manufacturing workforce; these ingredients exist in many communities. For example, Colorado

has become a big player in the field as VESTAS is in the process of opening three new manufacturing facilities (Windsor, Pueblo and Brighton) in the state. When completed, these three facilities are expected to employ up to 2,500 people.

Siemens has also been similarly aggressive in its U.S. expansion efforts. It recently opened a plant in Elgin, Ill., and has begun building another $50 million facility in Hutchinson, Kan. That plant is expected to employ 400 people producing wind-turbine drive trains, known as nacelles.

States and localities are recognizing that a mix of FDI and home-grown business development can create a whole set of opportunities for new entrepreneurial ventures that provide high-wage, high-opportunity careers. For example, Pennsylvania now manages a Wind Energy Supply Chain Initiative with a specific focus on attracting foreign firms who supply components to the wind industry. Michigan has also been aggressive in seeking to develop its own wind manufacturing cluster.

Meanwhile, Oklahoma and Texas, with their strategic locations in areas with high wind capacity, have targeted wind as a leading cluster for FDI and future economic growth. Oklahoma provides a host of incentives, including workforce training support, to attract wind-related manufacturers to the state. Texas, the nation's leading location for wind power, has also been aggressive in its efforts to attract new wind installations and supporting businesses. Texas has even helped promote a Wind Power Trail, an interpretive driving loop in both Texas and Oklahoma, where visitors can visit and learn about the commercial wind industry.

Over the short-term, effective economic development programs will seek to utilize FDI as a means to develop industry expertise and to provide good manufacturing-related jobs. Over the long-term, American communities will need to build on these opportunities to help home-grown businesses that have an opportunity to become global leaders in the wind energy industry.

RESOURCES:

- American Wind Energy Association [Web site]
- Michigan [Web site]
- Pennsylvania [Web site]
- Oklahoma [Web site]
- Texas [Web site]
- Site Selection article [Web site]
